

# Appendix A.

## Explanation of Terms

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### **ANNUAL PAYROLL**

Payroll includes all forms of compensation such as salaries, wages, commissions, dismissal pay, bonuses, vacation allowances, sick-leave pay, and employee contributions to qualified pension plans paid during the year to all employees and reported on Internal Revenue Service (IRS) Form 941 as taxable Medicare Wages and tips (even if not subject to income or FICA tax). Also included are tips and gratuities received by employees from patrons and reported to employers. If an employee works at more than one location, the payroll is included in the one location where they spend most of their time. Also included are salaries of members of professional service organizations or associations that operate under state professional corporation statutes and file a corporate federal income tax return. Excluded are payrolls of departments or concessions operated by other companies at the establishment; payments to or withdrawals by proprietors or partners of an unincorporated company; and annuities or supplemental unemployment compensation benefits, even if income tax was withheld. Payroll is reported before deductions for social security, income tax, insurance, union dues, etc. This definition of payroll is the same as that used by the IRS on Form 941.

### **ESTABLISHMENTS**

An establishment is a single physical location at which business is conducted and/or services are provided. It is not necessarily identical to a company or enterprise, which may consist of one establishment or more. Economic census figures represent a summary of reports for individual establishments rather than companies. For cases where a census report was received, separate information was obtained for each location where business was conducted. When administrative records of other federal agencies were used instead of a census report, no information was available on the number of locations operated. Each economic census establishment was tabulated according to the physical location at which the business was conducted. The count of establishments represents those in business at any time during 2002.

When two activities or more were carried on at a single location under a single ownership, all activities generally were grouped together as a single establishment. The entire establishment was classified on the basis of its major activity and all data for it were included in that classification. However, when distinct and separate economic activities (for which different industry classification codes were appropriate) were conducted at a single location under a single ownership, separate establishment reports for each of the different activities were obtained in the census.

Leased service departments (separately owned businesses operated as departments or concessions of other service establishments or of retail businesses, such as a separately owned shoe-shine parlor in a barber shop, or a beauty shop in a department store) are treated as separate service establishments for census purposes. Leased retail departments located in service establishments (e.g., a gift shop located in a hotel) are considered separate retail establishments.

### **EXPENSES**

Expenses include payroll, employee benefits, payroll taxes, interest and rent expenses; cost of supplies used for operation; cost of merchandise sold; depreciation expenses; fundraising expenses; contracted or purchased services; and other expenses charged to operations during 2002. Expenses exclude program service grants; contributions and gifts paid; specified assistance to individuals; benefits paid to or for members; outlays for the purchase of real estate; construction and all other capital improvements; funds invested; assessments or dues paid to the parent

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or other chapters of the same organization; income taxes; sales and other taxes collected directly from customers or clients and paid directly to a local, state, or federal tax agency; and, for fund-raising organizations, funds transferred to charities and other organizations.

## **FIRMS**

A firm is a business organization or entity consisting of one domestic establishment (location) or more under common ownership or control. All establishments of subsidiary firms are included as part of the owning or controlling firm. For the economic census, the terms “firm” and “company” are synonymous.

## **FIRST-QUARTER PAYROLL**

Represents payroll paid to persons employed at any time during the quarter January to March 2002.

## **PAID EMPLOYEES FOR PAY PERIOD INCLUDING MARCH 12**

Paid employees consists of full- and part-time employees, including salaried officers and executives of corporations, who were on the payroll during the pay period including March 12. Included are employees on paid sick leave, paid holidays, and paid vacations, and salaried members of professional service organizations or associations that operate under state professional corporation statutes and file corporate federal income tax returns. Not included are proprietors and partners of unincorporated businesses; employees of departments or concessions operated by other companies at the establishment; full- and part-time leased employees whose payroll was filed under an employee leasing company's Employer Identification Number (EIN); and temporary staffing obtained from a staffing service. The definition of paid employees is the same as that used by the Internal Revenue Service (IRS) on Form 941.

## **RECEIPTS/REVENUE**

Receipts (basic dollar volume measure for service establishments of firms subject to federal income tax). Includes gross receipts from customers or clients for services provided, from the use of facilities, and from merchandise sold in 2002 whether or not payment was received in 2002. For advertising agencies, travel industries, and other service establishments operating on a commission basis, receipts include commissions, fees, and other operating income, NOT gross billings and sales. Excise taxes on gasoline, liquor, tobacco, etc., that are paid by the manufacturer or wholesaler and passed on in the cost of goods purchased by the service establishment, are also included. The establishments share of receipts from departments, concessions, and vending and amusement machines operated by others are included as part of receipts. Receipts also include amounts received from the rental and leasing of vehicles, equipment, instruments, and tools; the total value of service contracts; market value of compensation received in lieu of cash; amounts received for work subcontracted to others; and dues and assessments from members and affiliates. Receipts from services performed for foreign parent firms, subsidiaries, and branches are included.

Receipts are net after deductions for refunds and allowances for merchandise returned by customers. Receipts do not include sales and other taxes (including Hawaii's General Excise Tax) collected directly from customers and paid directly to a local, state, or federal tax agency. Also excluded are gross receipts from departments and concessions operated by others; sales of used equipment previously rented or leased to customers; domestic intracompany transfers; proceeds from the sale of real estate (land and buildings), investments, or other assets (except inventory held for resale); income from interest, rental of real estate, dividends, contributions, and grants; receipts of foreign parent firms and subsidiaries; and other nonoperating income, such as franchise fees. Receipts do not include service receipts of manufacturers, wholesalers, retail establishments, or other businesses whose primary activity is other than service. They do, however, include receipts other than from services rendered (e.g., sale of merchandise to individuals or other businesses) by establishments primarily engaged in performing services and classified in the service industries.

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Revenue (basic dollar volume measure for firms exempt from federal income tax). Includes receipts from customers or clients for services provided in 2002, whether or not payment was received in 2002, and gross sales of merchandise, minus returns and allowances. Also included are income from interest, dividends, gross rents (including display space rentals and share of receipts from departments operated by other companies), gross contributions, gifts, grants (whether or not restricted for use in operations), royalties, dues and assessments from members and affiliates, commissions earned from the sale of merchandise owned by others (including commissions from vending machine operators), and gross receipts from fundraising activities. Revenue now includes gains or losses from the sale of real estate (land and buildings), investments, or other assets (except inventory held for resale). Receipts from taxable business activities of firms exempt from federal income tax (unrelated business income) are also included in revenue.

Revenue does not include sales and other taxes collected directly from customers or clients and paid directly to a local, state, or federal tax agency; gross receipts of departments or concessions operated by others; and amounts transferred to operating funds from capital or reserve funds.